

INITIAL WORLD REACTION TO AMERICAN PRESS COVERAGE OF A CIA ANALYSIS
OF THE SOVIET ECONOMY AND THE USSR'S DENIAL

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I. SUMMARY OF WORLD REACTION

A. Communist Bloc

As of mid-day on 13 January 1964 only Moscow transmissions for audiences outside of the Soviet Union and the East German radio have been heard to comment on the reported CIA analysis of a lagging Soviet economy. The Chinese Communist media and other Bloc satellites apparently have not publicized the report.

Soviet commentators Latyshev and Lugov, in broadcasts for foreign audiences, refer specifically to a reported CIA contention that Soviet economic development amounts only to 2.5 percent annually and will not be able to catch up with the United States. Even the American press, Latyshev says, points out that the CIA's conclusion are at variance with widely accessible data about the Soviet economy and the views of experts on Soviet economics. Both Latyshev and Lugov hold that the CIA report is a fabrication designed to diminish Soviet prestige in the eyes of underdeveloped states.

An East German domestic radio correspondent, in a dispatch from Moscow, also ridicules the CIA report as a "whopping lie," adding that even Western agencies dissociated themselves from it on the very first day. The tempestuous growth of the Soviet economy and Soviet industrial production have alarmed the reactionary circles in the United States to the point that they now try to turn black into white, he suggests.

A TASS radioteletype transmission to Europe in Russian summarizes a PRAVDA economic review by Malyshev who declares that the CPSU will devote major attention to developing the country's economy and that the socialist economic system is triumphing over capitalism "finally and irrevocably." Malyshev's remark that it is the inability of research workers to refute the real successes of the Soviet economy which explains why the CIA has produced its recent "bourgeois falsification," which concludes the TASS version, is omitted in a shorter Moscow domestic radio version.

The Moscow radio also supplies commentaries and news reports telling foreign listeners of a "very considerable rise" in the output of Soviet collective farms and a 58-percent increase in the USSR's industrial production during the past five years. Domestic listeners are told that the USSR is "confidently catching up with the United States." The domestic service broadcast makes no reference to recent U.S. estimates to the contrary but insists that Soviet industrial production increased at the annual rate of 10.5 percent compared with only 3.1 percent in the United States and restates the expectation that Soviet industrial production will equal that of the United States within six or seven years and will surpass it both in absolute and per capita production by 1980.

TASS and Moscow radio, for both domestic and foreign listeners, defend Soviet wheat purchases abroad from "shabby" or "hostile" bourgeois propaganda, refuting allegations that the "temporary difficulty" has any connection with Soviet agricultural organization. In this connection, TASS and Moscow radio acknowledge that a contract has been concluded for the purchase of a million tons of wheat by the USSR.

B. West Europe

The general overseas service of the BBC on 10 January reviews a TIMES of London editorial saying that the CIA "is on firm ground" in its statement that the burden of competing with the United States has left its mark in the USSR, particularly in agriculture, but that "where the CIA's estimates should be treated with caution is on the inferences to be drawn." The TIMES adds that it is questionable whether there is any real meaning in making a comparison "between a rigidly controlled economy in an early stage of development and one based on choice of consumers increasingly interested in leisure."

Monitored programs of the West German radio, with the exception of a single news item on 8 January noting dwindling Soviet gold reserves, make no mention of the American report on the lag in Soviet economic growth and the subsequent Soviet denial. The West German press withholds comments and reportage until weekend issues. Most papers, including those of West Berlin, carry the factual reports issued by Western news agencies on the report without comment; none report the Soviet denial.

The only available comment is that by the Cologne DEUTSCHE ZEITUNG's New York correspondent who notes that U.S. propaganda has always warned against the steady 6-percent annual increase in Soviet economic strength, but now suddenly reports it as only 2.5-percent. The paper compares this with the report of two years ago when U.S. rocket strength was suddenly reported to be superior to that of the Soviet Union. Most papers also report without comment Under Secretary of State Ball's references to the report in his speech to the Retail Trade Association in New York.

In Austria the report is prominently covered on front pages by the People's Party TAGESZEITUNG (500 words); it is given fairly prominent treatment by SALZBURGER NACHRICHTEN (450 words), VOLKSBLATT, and DIE PRESSE (300 words), on inside pages. The semi-official WIENER ZEITUNG carries a 120-word report on page three. Four big Vienna papers (KURIER, EXPRESS, KRONEN ZEITUNG, and NEUES OESTERREICH) do not cover the story at all. There is no mention of the Soviet denial in any papers so far.

All Austrian reports stress that the publication of the report was ordered by President Johnson because he considers a picture of the USSR's

economic difficulties an essential basis for foreign policy decisions in the West. Most reports cover also the statements of Under Secretary Ball on the report. DIE PRESSE, which carries the report on its economic page, attaches to it a report saying that London financial experts are "sceptical" about the estimate of Soviet gold reserves and pointing to the Soviet cash payments for wheat even in cases where they were offered credits.

The Communist VOLKSSTIMME ridicules the report as wishful thinking about alleged Soviet weakness, and plays up an A.P. report about scepticism in London and a London TIMES comment saying that the figures about Soviet gold reserves and economic recession in the USSR must be viewed "with the greatest caution." The paper adds: "Obviously there exist people who evaluate the situation more realistically than the U.S. secret service. They are, however, people who are interested in understanding and in an expansion of trade--something which cannot ^{be} said of the U.S. secret service."

C. Far East

The U.S. Government's report on the Soviet Union's economic difficulties is given extremely light treatment by the Japanese press, radio, and television. There has been no mention of any denial of USSR's economic lag. Only three of the major Tokyo newspapers (MAINICHI, YOMIURI, and economic journal NIPPON KEIZAI) carry brief 300-word versions of the UPI and A.P. reports under the headlines "CIA Specialists Report Soviet Union Unable To Overcome Economic Crisis Unless It Receives Credits From West" and "Soviet Union's Gold Reserves Drop To Two Billion Dollars."

The Japanese press version stresses that Russia is in such "deep economic trouble" that Khrushchev may have "to sacrifice" other programs in order to fulfill the targets of the seven-year plan, if he cannot get long-term credits from the West. The CIA press conference is described as "unprecedented," and the spokesman is quoted as saying that the Soviet Union got into such economic straits because of the "nearly disastrous" crop failure last year and of a combination of "overambitious economic programs." Monitored Japanese radio-television broadcasts make no references to the CIA report.

The South Korean radio, in a 13 January commentary on Cuban Premier Castro's visit to Moscow, quotes from the CIA report on the Soviet gold holdings to show that the USSR will have to sell a large portion of these holdings to the West in order to finance its chemicalization program. In addition to this, the Seoul commentator recalls, the USSR has signed contracts for importing a lot of Western wheat and "this gives color to the report that the Soviet economic situation has deteriorated." Under these circumstances, he asks, how much aid will the USSR now be able to supply Cuba?

In South Vietnam neither the radio nor the press has publicized the CIA report to date. The English-language Saigon DAILY NEWS on 13 January published a brief A.P. news item on Under Secretary Ball's statement to the retail merchants' meeting, headlined: "Soviet Economy in Deep Trouble." The Melbourne and Taipei radios are the only other radios in the area to have been heard mentioning the CIA report and the subsequent Soviet denial.

D. Other Noncommunist Areas

In the Middle East only the Israeli radio has been heard to note the American report on the Soviet economy, carrying a brief report without comment of its own on 9 January. Monitored Latin American mentions are limited to short items on the Chilean and Mexican radios. There is no coverage available from Africa.

II. TRANSLATIONS OF MOSCOW AND BERLIN RADIO ITEMS

A. From the Soviet "Chats To Cuba Broadcast"

Moscow in Spanish to Cuba 2300 GMT 10 January 1963
(Benjamin Lugov Commentary)

(Text) I would like to speak about Soviet internal matters, but precisely for this reason I cannot refrain from talking about a document which was widely publicized by the U.S. press. I am referring to the following: a short while ago the CIA made public a report with details about the development of the Soviet economy--as it was entitled. This report states that the economic development of the Soviet Union only amounts now to 2.5-percent annually--this is to say, that it is lower than that of the United States, and consequently, the reports add, the Soviet Union will never be able to catch up with the United States in the economic aspect.

Once again, friends, the CIA is trying to prove that black is white--precisely this, that black is white--because during 1963 the United Nations published on two occasions the corresponding figures analyzing world economic development. These reports vary to some extent in their deductions. The industrial production of the Soviet Union and other CEMA member countries, states one report, increases at twice the pace of the other states of the world. The second report pointed out that in the postwar period the yearly average rate of industrial production growth in the USSR and the East European countries was 11.7-percent.

It noted that the lowest pace in the last 25 years was registered precisely in the United States and the countries of the European free trade area--not reaching even 4 percent. It is quite clear that in the United States and other imperialist countries there are those who are not pleased with Soviet achievements. The United States and its allies are afraid to admit their defeat. In speeding up the pace, according to an expression in the U.S. magazine LOOK, the United States looks like an exhausted runner.

On this occasion, the so-called Russian specialists did not have the task of making up an anti-Soviet story. The task was given directly the CIA. It would seem that the prestige of the lying commentators appeared insufficient to cover up the lie. In the opinion of certain circles, the CIA was another matter. It is possible to allude to confidential information and to secret details, but the mystery trick did not work very well for the CIA.

In the first place, the prestige of this agency has fallen considerably. The Americans simply do not place faith in it, owing to the actions of this U.S. intelligence service in Cuba and in South Vietnam. Secondly, the figures

on the Soviet economy--not secret but openly accessible--and those in the possession of the United Nations and many U.S. organizations and institutions say very different, completely contrary, things.

I have in front of me a cable which reads that Robert (Campbell?), a professor at Indiana University, has described the CIA figures as fantastic, and this gentleman is not the only one. The U.S. press states that the CIA's deductions are at variance with the figures adduced by the majority of specialists on Soviet economy not belonging to official organizations.

Now, my friends, is it worthwhile to argue with the CIA? I think not, but there is another much more interesting question: Why did the need for this trick arise at this precise moment? The reply is to be found partially in the U.S. press. The New York TIMES, for example, writes: "The CIA's decision to make public its deductions obeys, among other things, the desire to discredit the Soviet Union in the eyes of the underdeveloped states, to undermine the idea held of the USSR that it is a country that has found the secret of the rapid development of the economy!" As the saying goes, comment is superfluous.

B. From the Soviet Broadcast Heard in Several European and Middle Eastern Languages

Moscow in English to the United Kingdom 1800 GMT 10 January 1964
(Leonid Latyshev Commentary)

(Summary) The economic development statistics for 1963 provide a good yardstick for comparing the economic advance of socialism and capitalism. The past year again saw the socialist countries take the lead in economic development.

However, certain parties in the United States and other imperialist countries do not find the Soviet Union's achievements to their liking. The Central Intelligence Agency was put to work in the economic arena. "This agency did not bother to analyze the facts but, relying on their past mastery in fabrication, they simply produced a statement claiming that the economic growth of the Soviet Union now amounts to only 2.5-percent a year. That makes it even slower than in the United States."

On the basis of this contention, the authors of the fabrication declared that the Soviet Union will never overtake the United States economically. Of course, there is nothing surprising about the fact that Washington has come up with another anti-Soviet fabrication. This is not the first time, and probably not the last. Last summer, Joseph Alsop, and the notorious Russian affairs expert, Harry Schwartz, (took up the drum?). True, they did not risk lowering the rate of Soviet economic development to 2.5 percent; they stopped at 4 percent.

"The new departure in the latest anti-Soviet fabrication is that it comes from the CIA. Evidently the prestige of Alsop, Schwartz, and company has proven insufficient to cover up their lies. It is another thing when the CIA comes out with such statements. The agency can always claim to have some secret source of information. However, this trick with secret information fell flat. To begin with, the CIA has greatly ruined its reputation in the eyes of Americans in connection with U.S. intelligence action in Cuba and South Vietnam.

"What is most important, however, is that the widely accessible data about the Soviet economy that is available in the United Nations and many American organizations and institutions proves just the opposite. The American press has pointed out that the CIA's conclusions contradict statistics of most nongovernment experts specializing in the sphere of Soviet economics. There is really no need to argue with the CIA to disprove its figures. In the past 46 years the Soviet Union became a great power, despite the most dismal forecasts and the obstacles that the imperialists put in the way of socialism. The Soviet Union is confidently overtaking the United States."

(Note: A version of this commentary heard in Turkish cites the New York TIMES for the observation that the CIA report was released "in order to stigmatize the Soviet Union in the eyes of underdeveloped countries and reduce the prestige of the USSR, which has discovered the secret of rapidly developing its economy.")

C. From the TASS Report on a PRAVDA Article

Moscow TASS International Service in Russian 0850 GMT 13 January 1964

(Text) Moscow--In its economic review today PRAVDA describes the chief problems which have occupied the CPSU in recent years, problems connected with the economic development of the country. "An upswing in agriculture, the development of industry, complex problems of capital construction work, and all-round progress in technology in all spheres of production--this is what party organizations and the entire Soviet people have been working on systematically," the author of the review, Ivan Malyshev, writes.

Describing the economy as the center of the revolutionary activity of Soviet people, which is transforming the world, he analyzes the growth achieved in industry and agriculture. According to the figures mentioned in the review, industrial production trebled between 1953 and 1963. "This means that the USSR has now three times the industries it had in 1952."

"Malyshev points out that agricultural gross production, in spite of an exceptionally dry year, increased 1.5 times above the 1952 level. "The growth in agriculture was not as fast as in industry and does not yet satisfy the country's requirements. Nevertheless, its production volume increased incomparably faster than during a similar period in the past."

The commentator evaluates the victorious upsurge of Soviet economy as being a major international factor, the significance of which cannot be overestimated. He recalls the latest plenum of the Central Committee of the CPSU which again emphasized Lenin's precept--"We are at present exerting our main influence upon world revolution by our economic policy... In this field the struggle has been transferred to a worldwide scale."

The author recalls that every new economic development scores a final victory over its predecessor by a higher productivity of public labor. "History proves that purely military conquests have always been temporary and transitional. Socialism is gaining victory over the capitalist order by its economic supremacy and is therefore scoring a final and incontrovertible victory."

Describing productivity of labor as being the decisive trend in the struggle between capitalism and socialism, the commentator reports that during the past 11 years it doubled in Soviet industry and nearly doubled on collective and state farms; on the railways and maritime transport, as well as in construction, it has even more than doubled. To catch up with the United States, the most developed capitalist country, as regards productivity of labor, "is the task the solution of which means the victory of socialism over capitalism!"

The high rate of economic upswing in the Soviet Union and its growing influence upon international life worry reactionary imperialist politicians, the article points out. Facts, however, remain facts and all serious bourgeois research workers are forced to acknowledge them. It is precisely the inability of economists to refute the real successes of the Soviet economy, the author of the review says, that explains the odd circumstance that recently another type of "expert,"--gallant campaigners from the U.S. CIA--tackled this problem in their report. "It is sufficient to say that the general growth of industrial production in the USSR during the past two years has amounted to 19 percent and that of the gross national product by more than 10 percent, so as to be able to judge by these figures alone the real 'value' of this routine bourgeois falsification," the commentator remarks.

D. From the East German Radio Correspondent in Moscow

East Berlin Domestic service in German 21⁰⁰ GMT 11 January 1963

(Klaus-Dieter Kroeber's Weekly Dispatch From Moscow)

(Excerpt) And now permit me to turn to another topic which started in America but I must say something about it from Moscow. On Thursday evening, the American CIA surprisingly called a press conference, the first in its history. The astonished journalists were presented with a so-called analysis

of Soviet economy. At the same time, two prominent U.S. politicians performed in New York, Under Secretary of State George Ball and economic adviser Walt Rostow, who obviously based their lectures on that strange CIA analysis.

Why do I say "strange?" This is a polite expression, because this report is outstanding for various things but not for the truth of its statements. It asserts, for instance, that the rate of growth of Soviet industrial output had fallen in the past two years to 2.5 percent and was thus only half of that of the United States. Western agencies dissociated themselves on the very first day from this whopping lie. DPA wrote, for instance, that American so-called Eastern experts doubted the correctness of the CIA analysis. The agency quotes professor Nicolas (Bulb?) of New York University who described the report simply as impossible.

Surely, one glance into the statistical yearbook is enough to prove the absurdity of this wishful thinking on the part of the American spy organization. It is a fact that the rate of growth of Soviet industrial production from 1918 to 1963 amounted on the average to about 10 percent annually and in the United States, on the other hand, to only 3.4 percent. The Statistical Yearbook of the USSR for 1962--a reference work which is taken very seriously even by western experts--proves product by product how output in the United States and the USSR from 1954 to 1962 rose or fell.

Let me give you just a few examples: Steel--in the Soviet Union growth by 8 in the United States fall by 1.5 percent; oil--in the USSR growth by 15 and in the United States by 1.4; power--in the Soviet Union growth by 11.8 and in the United States by 7; and cement--in the USSR increase by 15.3 and in the United States 2.4.

It surely must also by now have percolated through that the USSR has meanwhile overtaken absolutely the strongest country of the capitalist world in the production of iron ore, coke, and coal, diesel and electric railway engines, trucks, tractors, cement, prefabricated building elements of reinforced concrete, woolen textiles, and timber. This indicates as clearly the rapid fall of production as does the fact that the USSR budget will next year for the first time pass the 100 billion ruble mark.

As you know, the greatest part of the Soviet state revenue is derived from the economy. One could list as further cogent proof of the CIA canards the gigantic funds which the USSR can afford today to invest in the chemical industry, that branch which serves directly to improve living standards. Chemical output is to grow more than threefold in the coming seven years, a task which only madmen could set themselves if the oracle of the CIA were even approximately near the target. But you would look in vain for madmen here where for almost five decades it has been the habit to draw up realistic plans, plans which are put into reality.

What then has induced the CIA sleuths to this unintelligent public performance? Has perhaps the tempestuous growth of the Soviet economy and of the Soviet industrial production alarmed the most reactionary circles of the United States to such an extent that they decided to make the attempt to turn white into black by this extraordinary show? Do they perhaps pursue the goal, as some agencies have hinted, of frightening certain Western circles who increasingly tend to expand the advantageous trade with the Soviet Union by producing this hoary bogeyman?

Stupid, very stupid, my dear intelligence men! What responsible economist or businessman will today, in 1964, be impressed by such trappings from the McCarthy period! We have a saying here: He who makes water into the wind gets the front of his trousers wet!